

The New "RIVIERA" . . . What It Means To Us



By LARRY BIRGER
Miami News Business Editor

FREPORT — Grand Bahama Island — It won't be long now before the tranquillity of this tropical isle just 90 miles from Miami is shattered by rolling dice and spinning roulette wheels.

On Jan. 23, 1964, the \$10 million Lucayan Beach Hotel, with a gambling casino tucked neatly into its lavish interior, will officially open to initiate a brand new phase of South Florida-Bahamas tourist development.

Blackbeard the Pirate, in the days when he used Grand Bahama as his home base, never created such excitement.

Announcement last June that "government" had granted Grand Bahama Development Co. Ltd. approval to operate gambling casinos has set off talk of a massive boom that could be unparalleled in the history of the islands.

Everybody's rushing to get in the act . . . to ride the coattails of legalized gambling parlors to fame and fortune.

Rumors fly daily . . . two, three more hotels will be built . . . the industry is being signed on the dotted line . . . there'll be three, maybe four new casinos before the end of 1964.

The truth is plain and simple, that gambling will bring in the tourists, the building boom and industrial expansion here — but won't create the massive boom some are talking about.

At least not immediately.

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"Gambling Is Important"

Even the promoters, the entrepreneurs of the new era, say this is so. They talk in terms of long-term growth, with an eye toward four and five-year development rather than any immediate financial gains.

And they insist that gambling, rather than being a cornerstone, will be one cog in the wheel that already is spinning to make Freeport an important offshore industrial and tourist center.

The facts are these:

• Freeport got its start from tax-free advantages — and not gambling — that were the braintrust of American industrialist Wallace Groves, who is the city's prime mover.

• Industrial expansion was kicked off almost two years ago, when Universal Atlas, a subsidiary of S.D. Steel, decided to build a \$60 million cement plant on the island.

• Groves' tax-breaking gamble, now four years old, has become the world's third largest containerization station and the largest in the Western Hemisphere.

• Lucayan Beach was on the drawing boards well over a year ago, long before its builders applied for — and received — permission to include a casino in the spectacular layout.

Nevertheless, officials of Grand Bahama Development acknowledge that gambling should light the spark that even tremendous tax benefits have not been able to ignite at Freeport.

Says Louis Chesler, president of the developing firm, a Canadian financier who helped get Florida's General Development Corp. off the ground and is its largest stockholder:

"Gambling is important anywhere. It is an extra inducement for Freeport, just as it would be elsewhere. Take horse and dog racing and jai alai away from Florida and tourism would be bound to suffer."

Chesler, who is a 50 percent stockholder with Mrs. Groves in Grand Bahama Amusement, a minority company which will operate the casino also insists that Freeport could be developed without gambling.

"But it is no youngster anymore," he jests, adding seriously: "We felt we needed the extra inducement of gambling to get the project started."

It is also a fact that despite the fact that the building and the banking situation success, industrial expansion started at Freeport's developers had

And it wasn't until after the announcement came that Grand Bahama Development began selling homesites within its initial 6,500-acre tract surrounding Lucayan Beach.

James E. Maher, executive vice president of the company, says that in the last few months "better than \$2 million worth of land has been sold for residential development with little if any promotion."

Yet, Freeport's developers are playing it cool as to how quickly the island's development will take place.

Scheduled opening in January of a gambling casino and luxury hotel on Grand Bahama Island has South Florida tourists in a spin. What is the actual extent of the development? Will it help . . . or hinder . . . Gold Coast tourism? How many hotels . . . and how many casinos . . . will be built? What's the extent of air service to Freeport? What about industrial expansion because of tax benefits? To find the answers to these and countless other questions, The Miami News sent Larry Birger, its business editor, to Freeport to search for answers. Here's his report.

Fearful that over-expansion could be just as dangerous to Freeport as it has been to Miami Beach and Puerto Rico, they placed a bid on the number of new hotel rooms to be built in the immediate future.

"For the present time, we have set an arbitrary limit of 2,000 rooms," explains Maher. "That way, everyone stays healthy."

And, though the thinking is that these rooms will be built and ready for occupancy by the start of the next winter season, this is not accurate, according to Maher.

"Start of the 1963-64 tourist season is more like it," he insists. "By the time they get their plans off the drawing board — and are ready to build — it will be much too late 1964-65 in my estimation."

The same goes for casinos. Though the talk is three or four within the next few years, Maher and Chesler say that one — the Lucayan Beach — will be all that will be running until the next set of hotels is up.

Thus far, Holiday Inns of America Inc. is the only group willing to commit funds for construction of a hotel as a companion to Lucayan Beach. It will be the first to open.

That would give Freeport close to 1,000 rooms, since Lucayan Beach, when fully completed in February, will have in excess of 400 rooms.

Maher confirms that serious negotiations are underway with two other groups about building major hotels — one from the Kansan Corp., which includes stockholders from such notable Canadian companies as Seven Arts Ltd. and Laredo Mining Co., and another from a San Francisco outfit by putting up \$12 million and agreeing to promote and market the hotel.

Since that time, says Chesler and Maher, the group has put up or committed itself to more than \$29 million in additional funds to get the vast project off the ground.

The first return on investment comes when the developers sold the Lucayan Beach to Allan Manus, a wealthy young Canadian manufacturer who heads the Molly Corp., billed as the world's largest producer of wall fasteners, for between \$4.5 and \$7 million.

Manus, when asked why he was getting involved — though he has no interest whatsoever in the gambling operation — remarked:

"I have great faith in the future of this island. And I believe the hotel is the plum. This is a tourist paradise, and we're in the best position to take advantage of it."

The hotel, as presently constituted, has 206 rooms in two wings overlooking the ocean along one-quarter mile of beach-front on the southern side of Grand Bahama.

At 206 rooms, and a \$7 million deal, this makes the cost of each room about \$35,000 — one of the most expensive hotels ever built.

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And that fits in with Maher's thinking. "We are primarily a land development company," he says, "with 102,000 acres to work with." He adds, "Our plan is to develop and sell property for residential, apartment house, commercial and industrial expansion."

Both he and Chesler insist that profits from the gambling will be plowed back into schools, hospitals, recreation centers and anything else that will help Freeport to grow.

Like any other land developer, the company will make its profits — and maintain its cash flow position to develop additional acreage — through sales of property and buildings.

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